

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION
4 STATE LAND OFFICE BUILDING
5 SANTA FE, NEW MEXICO

6 15 March 1989

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Meridian Oil, Inc. for CASE
10 a non-standard gas proration unit, San 9623
11 Juan County, New Mexico.

12 BEFORE: Michael E. Stogner, Examiner
13

14 TRANSCRIPT OF HEARING
15

16 A P P E A R A N C E S
17

18 For the Division: Robert G. Stovall
19 Attorney at Law
20 Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico

21 For Meridian Oil, Inc.: W. Thomas Kellahin
22 Attorney at Law
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I N D E X

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E X H I B I T S

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Meridian Exhibit Three, Plat 6

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1 MR. STOGNER: The hearing will
2 come to order.

3 We'll call next Case Number
4 9623.

5 MR. STOVALL: The application
6 of Meridian Oil, Inc., for a nonstandard gas proration
7 unit, San Juan County, New Mexico.

8 MR. STOGNER: Call for appear-
9 ances.

10 MR. KELLAHIN: Mr. Examiner,
11 I'm Tom Kellahin, Santa Fe, New Mexico, of the law firm of
12 Kellahin, Kellahin & Aubrey.

13 I'm appearing on behalf of the
14 applicant and I have two witnesses to be sworn.

15 MR. STOGNER: Are there any
16 other appearances?

17 Will the witnesses please
18 stand and be sworn?

19

20 (Witnesses sworn.)

21

22 MR. STOGNER: Mr. Kellahin,
23 please proceed.

24

25

1 THOMAS F. HAWKINS,
2 being called as a witness and being duly sworn upon his
3 oath, testified as follows, to-wit:

4
5 DIRECT EXAMINATION

6 BY MR. KELLAHIN:

7 Q Mr. Hawkins, would you please state your
8 name and occupation?

9 A Tom F. Hawkins and I'm a Senior Landman
10 with Meridian Oil.

11 Q Mr. Hawkins, as a landman for your com-
12 pany have you on prior occasions testified before the Div-
13 ision?

14 A Yes, sir, I have.

15 Q And pursuant to your employment as a
16 landman have you made a study of the land title information
17 surrounding this particular application?

18 A Yes, sir, I have.

19 MR. KELLAHIN: We tender Mr.
20 Hawkins as an expert petroleum landman, Mr. Stogner.

21 MR. STOGNER: Mr. Hawkins is
22 so qualified.

23 Q Let me ask you to turn to the exhibit
24 book, which contains four tabs, each of which is numbered
25 as an exhibit.

1 Let's go through the information con-
2 tained behind Tab Number One, and if you'll flip past the
3 application itself, let's turn to Exhibit A of the appli-
4 cation and use this for a moment to have you describe for
5 us, Mr. Hawkins, what your company seeks to accomplish with
6 this application.

7 A We want to get a pool for a nonstandard
8 proration unit comprising Lots 3, 4, 5, 6, 7 and also Lots
9 -- of Section 6, and we have the southeast of the northwest
10 and the east half of the southwest quarter of Lot -- Sec-
11 tion 6, and then the Lots 1 and 2 and the east half of the
12 northwest quarter of Section 7.

13 Q This exhibit shows a location for a
14 well. Is that the location of the Quigley Well?

15 A Yes, sir.

16 Q And is that a standard location as best
17 you know in the Basin Fruitland Coal Gas Pool?

18 A Yes, sir.

19 Q What is the total acreage that you are
20 proposing be assigned in the Basin Fruitland Coal Gas Pool
21 to the Quigley Well?

22 A 299.85 acres.

23 Q What's the basis for making this
24 request, Mr. Hawkins?

25 A These are -- contain short sections,

1 short lots, and we would like to use the existing -- the
2 proration unit we have shown as best we can. It includes
3 120 acres.

4 Q The area offsetting this nonstandard
5 proration unit is under the operation of what company, Mr.
6 Hawkins?

7 A Amoco is the only offsetting operator.

8 MR. KELLAHIN: Mr. Stogner,
9 your copy of Exhibit B, which is attached to this applica-
10 tion behind Tab 1 shows the original of the return receipt
11 card showing that pursuant to Division notice rules we have
12 sent Amoco Notice of this application and the hearing to-
13 day.

14 Q Let's turn now, Mr. Hawkins, if you
15 will, to the information contained behind Exhibit Number
16 Two.

17 What does this show?

18 A This shows the same proration unit that
19 we have formed for the Quigley Com 250 and the well is also
20 located on this map.

21 Q Let's turn now, sir, to Exhibit Number
22 Three and have you identify that display.

23 A This display here, this is it. It shows
24 the proposed or existing Fruitland proration units sur-
25 rounding the area of the Quigley Com. It also has the

1 Quigley Com Well located on this proration unit.

2 Q When we look to the south of the pro-
3 ration unit that you're proposing for the Quigley Well, we
4 come to another nonstandard proration unit in the Basin
5 Fruitland Coal Gas Pool, do we not?

6 A Yes, sir.

7 Q And what is the well assigned to that
8 nonstandard proration unit?

9 A I believe that's the Turner Com 250.

10 MR. KELLAHIN: Mr. Examiner,
11 I'm like to direct your attention to Case 9592 and Order
12 No. R-8870, a copy of which I'm presenting to you, that
13 shows the nonstandard proration unit approved for the
14 Turner Well to the south.

15 Q What occurs on the western boundary of
16 this township, Mr. Hawkins that has caused the occurrence
17 of all these nonstandard proration units in the township?

18 A We have the small sized lots occurred.

19 Q What has been the prior solution that
20 other operators, including Meridian Oil Company have uti-
21 lized for production from other formations to -- to resolve
22 the fact that the western portion of this township con-
23 tains the nonstandard size sections?

24 A We've tried to create spacing and pro-
25 ration units that as best include 220 acres as we could.

1 Q And this was done for Mesaverde prora-
2 tion units?

3 A Yes, sir.

4 Q And what is shown on the second display
5 in Exhibit Number Three?

6 A It is the existing Mesaverde proration
7 units. We've gone ahead and located the Quigley Com Well in
8 that exhibit, also.

9 Q Why have you sought to continue the same
10 proration unit size and shape for the Quigley Com Well as
11 you have utilized on prior -- in prior spacing for the
12 Mesaverde proration unit?

13 A Well, we have established ownership. We
14 have Division orders out. It just provides a consistency
15 to the royalty and overriding royalty owners.

16 Q As a landman do you see any other alter-
17 native solution that is more suitable to resolve this town-
18 ship anomaly, if you will, than the one you've proposed to-
19 day?

20 A No, sir.

21 MR. KELLAHIN: That concludes
22 my examination of Mr. Hawkins, Mr. Stogner.

23 We would move the introduction
24 of Exhibits One through Three at this time.

25 MR. STOGNER: Exhibits One

1 through Three will be admitted into evidence.

2
3 CROSS EXAMINATION

4 BY MR. STOGNER:

5 Q Mr. Hawkins, where is the Amoco acre-
6 age and which offsets this well -- or proposed proration
7 unit, I should say?

8 A If you look on the exhibits, Mr. Exam-
9 iner, where you see the --

10 Q Which one?

11 A Either of the three there.

12 Q Okay, I'll look at Exhibit Number Two.

13 A Okay. Where you see the name "Tenneco"
14 in the -- right there on each of those --

15 Q Oh, okay. So they offset you to the
16 north and to the --

17 A Well, they directly offset us to the
18 east, yes, sir.

19 Q Okay. All right.

20 MR. KELLAHIN: And, for the
21 record, Amoco has acquired the Tenneco interests in the San
22 Juan Basin, have they not?

23 A Yes, sir. We just haven't changed all
24 the maps.

25 MR. STOGNER: Okay, I have no

1 further questions of Mr. Hawkins. He may be excused.

2 Mr. Kellahin?

3 MR. KELLAHIN: Mr. Examiner,
4 we'd like to call Mr. John Caldwell.

5
6 JOHN CALDWELL

7 being called as a witness and being duly sworn upon his
8 oath, testified as follows, to-wit:

9
10 DIRECT EXAMINATION

11 BY MR. KELLAHIN:

12 Q Mr. Caldwell, would you please state
13 your name and occupation?

14 A My name is John W. Caldwell. I'm the
15 Regional Reservoir Engineer for Meridian Oil, Inc., in
16 Farmington, New Mexico.

17 Q Mr. Caldwell, on prior occasions have
18 you testified as an expert reservoir engineer on behalf of
19 your company before the Division?

20 A Yes, sir, I have.

21 Q And pursuant to your employment as a re-
22 servoir engineer have you made a study of the engineering
23 facts surrounding this particular application?

24 A Yes, sir, I have.

25 MR. KELLAHIN: Mr. Examiner,

1 we tender Mr. Caldwell as an expert reservoir engineer.

2 MR. STOGNER: Mr. Caldwell is
3 so qualified.

4 Q Mr. Caldwell, let's turn to the dis-
5 play following Exhibit Tab Number Four and have you ident-
6 ify that display for us.

7 A Yes, sir, Exhibit Number Four included
8 within this application is a Fruitland Coal net isopach of
9 approximately 20 sections, roughly centered on the Quigley
10 Com No. 250 in Section 6.

11 Q What's identified by the blue dots on
12 the display?

13 A The blue dots indicated on the display
14 indicate wells that have either been drilled at this point
15 through the Fruitland Coal or are staked and approved
16 waiting to be drilled, locations in the Fruitland Coal.

17 Q What's the status of the Turner Well in
18 the nonstandard proration unit to the south of the subject
19 proration unit?

20 A The Turner No. 250, I believe the APD
21 has been approved and I'm not sure if we've drilled that,
22 that well at this point or not.

23 Q It's a well that is scheduled to be
24 drilled if it's not already drilled yet.

25 A That's right. I believe we're waiting

1 on the order to drill the well.

2 Q In examining the geology and the en-
3 gineering factors surrounding this particular nonstandard
4 proration unit do you see any -- any engineering or geolo-
5 gic reason not to continue the solution utilized for the
6 Mesaverde nonstandard units when we continue to drill for
7 production out of the Basin Fruitland Coal Gas Pool.

8 A No, sir, I do not.

9 Q The location for the Quigley Well is
10 shown by the red star?

11 A Yes, sir, that's correct.

12 Q Has that well been commenced at this
13 time?

14 A Yes, sir, that well has been drilled.

15 Q Would you give Mr. Stogner the refer-
16 ences for the various order numbers by which that well was
17 commenced?

18 A Yes, sir. We originally filed for
19 administrative approval on July 15th, 1988, for at that
20 point Undesignated Fruitland Coal or Undesignated Fruitland
21 reservoir and 160-acre spacing. I believe we designated
22 the east half of the southwest quarter of Section 6 122.5
23 acre unit to the well. We received approval for that APD
24 in early September, NSP No. 1545, which I don't have a copy
25 of in front of me.

1 We spud the well then in September 1st
2 and completed the well on September 11th, 1988.

3 Q When were the Basin Fruitland Coal Gas
4 Pool rules adopted that changed the spacing for the coal
5 production to 320 acres?

6 A I believe we heard the rules during the
7 July 6th hearing. They were formally adopted November 1st,
8 1988.

9 Q The purpose of this application, then,
10 is to conform the spacing pattern as best you can to the
11 new 320-acre spacing?

12 A Yes, sir, that's correct.

13 Q Do you see any reason not to utilize the
14 acreage as you proposed as the optimum amount of acreage to
15 dedicate to the Quigley Well?

16 A No, sir, I see no reason why 299 acres,
17 approximates 320 acre drilling and spacing unit dedicated
18 to a Fruitland Coal Well.

19 Q Does the continuation of approval of
20 these nonstandard proration units along the township line
21 circumvent the spacing patterns for 320 acres for the
22 Fruitland Coal Gas production?

23 A No, it does not.

24 Q Is the pattern consistent, then, with
25 the method of development of 320 acres for this area?

1 A Yes, sir, the blue dots indicated on
2 Exhibit Four, I think give a pretty good pictorial descrip-
3 tion of the drainage areas associated with each of the
4 wells that we're trying to optimize.

5 Q In your opinion do you have an ultimate
6 conclusion about whether or not the Examiner should approve
7 this in order to prevent waste and protect correlative
8 rights?

9 A Yes, sir. My ultimate conclusion would
10 be I feel this application needs to be approved to prevent
11 waste and protect correlative rights on a 320-acre drainage
12 basis.

13 MR. KELLAHIN: That concludes
14 my examination of Mr. Caldwell.

15 We would move the introduction
16 of Exhibit Number Four.

17 MR. STOGNER: Exhibit Number
18 Four will be admitted into evidence.

19 Mr. Kellahin, I have no ques-
20 tions of this witness at this time.

21 Is there anything further in
22 this case?

23 MR. KELLAHIN: No, sir. That
24 concludes our presentation.

25 MR. STOGNER: Does anybody

1 else have anything further in Case Number 9623 at this
2 time?

3 This case will be taken under
4 advisement.

5

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(Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C. S. R. DO HEREBY
CERTIFY that the foregoing Transcript of Hearing before the
Oil Conservation Division (Commission) was reported by me;
that the said transcript is a full, true and correct record
of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 9623,
heard by me on 15 March 1989.

Malcolm E. Stogard, Examiner
Oil Conservation Division